

WEIL, GOTSHAL & MANGES LLP  
Stephen Karotkin (*pro hac vice*)  
(stephen.karotkin@weil.com)  
Ray C. Schrock, P.C. (*pro hac vice*)  
(ray.schrock@weil.com)  
Jessica Liou (*pro hac vice*)  
(jessica.liou@weil.com)  
Matthew Goren (*pro hac vice*)  
(matthew.goren@weil.com)  
767 Fifth Avenue  
New York, NY 10153-0119  
Tel: 212 310 8000  
Fax: 212 310 8007

KELLER & BENVENUTTI LLP  
Tobias S. Keller (#151445)  
(tkeller@kellerbenvenutti.com)  
Jane Kim (#298192)  
(jkim@kellerbenvenutti.com)  
650 California Street, Suite 1900  
San Francisco, CA 94108  
Tel: 415 496 6723  
Fax: 650 636 9251

*Attorneys for Debtors and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

**In re:**

**PG&E CORPORATION,**

**- and -**

**PACIFIC GAS AND ELECTRIC COMPANY,**

**Debtors.**

- ☐ Affects PG&E Corporation  
☐ Affects Pacific Gas and Electric Company  
☒ Affects both Debtors

*\* All papers shall be filed in the Lead Case,  
No. 19-30088 (DM).*

Bankruptcy Case No. 19-30088 (DM)  
Chapter 11  
(Lead Case)  
(Jointly Administered)

**REPLY IN SUPPORT OF CORRECTED  
MOTION OF DEBTORS PURSUANT  
TO 11 U.S.C. § 1121(d) TO EXTEND  
EXCLUSIVE PERIODS**

Re: Docket Nos. 1795, 1797, 2006, 2008, 2009, 2017,  
and 2019

Date: May 22, 2019  
Time: 9:30 a.m. (Pacific Time)  
Place: United States Bankruptcy Court  
Courtroom 17, 16th Floor  
San Francisco, CA 94102  
Judge: Hon. Dennis Montali

PG&E Corporation (“**PG&E Corp.**”)<sup>1</sup> and Pacific Gas and Electric Company (the “**Utility**”), as debtors and debtors in possession (collectively, “**PG&E**” or the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”), hereby submit this Reply (the “**Reply**”) in support of the *Corrected Motion of Debtors Pursuant to 11 U.S.C. § 1121(d) to Extend Exclusive Periods* [Dkt. No. 1797] (the “**Exclusivity Motion**”)<sup>2</sup> and in response to the (i) *Limited Objection of Governor Gavin Newsom to Corrected Motion of Debtors Pursuant to 11 U.S.C. § 1121(d) to Extend Exclusive Periods* [Dkt. No. 2006] (the “**Governor’s Limited Objection**”); (ii) *Limited Objection of the Official Committee of Unsecured Creditors to Debtors’ Corrected Motion Pursuant to 11 U.S.C. § 1121(d) to Extend Exclusive Periods* [Dkt. No. 2009] (the “**UCC Limited Objection**”); (iii) *Objection of the Official Committee of Tort Claimants to Corrected Motion of Debtors Pursuant to 11 U.S.C. § 1121(d) to Extend Exclusivity Periods* [Dkt. No. 2017] (the “**TCC Objection**”); and (iv) *Objection by the Singleton Law Firm Fire Victim Claimants to PG&E’s Exclusivity Motion* [Dkt. No. 2019] (the “**SLF Objection**,” and together with the Governor’s Limited Objection, the UCC Limited Objection, and the TCC Objection, the “**Objections**”)<sup>3</sup>, and respectfully represent as follows:

<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Exclusivity Motion.

<sup>2</sup> An otherwise identical version of the Exclusivity Motion was filed inadvertently without signature [Dkt. No. 1795].

<sup>3</sup> In addition to the Objections, the Ad Hoc Committee of Senior Unsecured Noteholders filed a *Statement of the Ad Hoc Committee of Senior Unsecured Noteholders to Corrected Motion of Debtors Pursuant to 11 U.S.C. § 1121(d) to Extend Exclusive Periods* [Dkt. No. 2008] (“**Statement of the Ad Hoc Noteholders**”).

**Preliminary Statement**

Recognizing the obvious complexity and early stage of these Chapter 11 Cases, and the incontrovertible fact that certain fundamental issues must be addressed before any feasible and confirmable chapter 11 plan can be negotiated and filed, the Debtors filed the Exclusivity Motion to extend the Exclusive Periods for approximately 6 months. These fundamental issues include, among others, the aggregate amount of the Debtors' liability for wildfire claims to be addressed in a plan of reorganization and, as plainly recognized by the Governor of California, obtaining the necessary regulatory and legislative relief that all constructive parties in interest in these cases realize is essential to any feasible chapter 11 plan and the Debtors' long-term viability.

Indeed, as the Governor's Limited Objection notes, the goal is to enact legislation "this summer that will reshape the existing policy and regulatory frameworks" that will be key to the chapter 11 process and the Debtors' successful emergence from Chapter 11. PG&E shares the Governor's goal of a fair and expeditious resolution of the Chapter 11 Cases and is hopeful the necessary legislative and regulatory reform will be achieved in the Governor's timeframe. One thing, however, is absolutely clear – the time simply is not ripe for the Debtors to negotiate and file a chapter 11 plan, and the Debtors should be granted the requested extension of the Exclusive Periods so that they will have the full and fair opportunity contemplated by Congress in enacting section 1121 of the Bankruptcy Code.

The following responsive pleadings have been filed to the Exclusivity Motion:

- A. Limited Objection of the Official Committee of Unsecured Creditors (the "UCC") – (extension should be limited to four months);
- B. Statement of the Ad Hoc Group of Noteholders – (no objection to Debtors' requested extension)
- C. Limited Objection of Governor Gavin Newsom – (extension should be limited to 75 days);
- D. Objection of the Official Committee of Tort Claimants (the "TCC") – (no extension should be granted); and
- E. Objection by the Singleton Law Firm Fire Victim Claimants – (no extension should be granted).

Notably, the UCC, which is a fiduciary to a constituency of prepetition unsecured creditors holding more than \$22 billion in claims against the Debtors, the Ad Hoc Group of Noteholders, which

1 represents the interests of a majority of the Utility's approximately \$20.5 billion in funded debt, and the  
2 Governor, who represents the interests of all the citizens of the State of California (including the Debtors'  
3 16 million customers), all understand the complexities and realities of these Chapter 11 Cases and have  
4 acknowledged that an extension of the Exclusive Periods is warranted.

5 Without any basis, the TCC opposes any extension of the Exclusive Periods, once again citing  
6 irrelevant prepetition history, attacking the Debtors' management and Board, and baselessly asserting  
7 that the members of the Debtors' Board will breach their fiduciary duties.

8 As demonstrated in the Exclusivity Motion and the facts of these cases, cause clearly exists for  
9 an extension of the Exclusive Periods – indeed, the size and complexity of these cases alone warrant a  
10 reasonable initial extension as contemplated by section 1121. The Debtors are moving these Chapter 11  
11 Cases forward as expeditiously as possible, particularly given the complexities and plan gating issues  
12 involved, and are keenly focused on addressing and resolving their liabilities fairly and equitably, and  
13 ensuring their long-term ability to deliver safe and reliable service to their 16 million customers.

14 The requested extension of the Exclusive Periods recognizes the circumstances of these Chapter  
15 11 Cases and what must be accomplished before a comprehensive plan formulation and negotiation  
16 process can take place in earnest. Granting a short extension or terminating exclusivity ignores the  
17 reality of these cases and will only serve to undermine the business stability that the Debtors have been  
18 able to achieve, create an unnecessary crisis in confidence in the Debtors' business partners, and  
19 jeopardize, rather than promote, the successful conclusion of these Chapter 11 Cases and distributions  
20 to wildfire claimants.

21 **The Objections Should be Overruled**

22 The primary thrust of the TCC's objection and what the Governor raises as well is the Debtors'  
23 historical prepetition conduct. That, however, has no relevance as to whether cause exists to extend the  
24 exclusive periods. Indeed, all of the relevant factors considered by the Courts in addressing motions  
25 under section 1121 focus on postpetition activities. *See* Exclusivity Motion at pp 9-10.

26 Further, there is no basis to attack the integrity of the new Board, Mr. Johnson, the new CEO, or  
27 their commitment to safety and to the appropriate and successful administration of these cases. Several  
28 of the new board members have significant industry and safety experience as detailed in the Debtors'

1 public filings. Others have substantial restructuring expertise that is directly relevant to one of the largest  
2 and most complex chapter 11 cases in recent United States history.

3       Moreover, Mr. Johnson, the Debtors' newly hired CEO, plainly demonstrates the commitment  
4 to safety and change. Mr. Johnson recently completed a more than six-year tenure as President and CEO  
5 of the Tennessee Valley Authority ("TVA"), with responsibility for leading the nation's largest publicly  
6 owned utility in its mission of providing energy, environmental stewardship, and economic development  
7 across a seven-state region. Additionally, during Mr. Johnson's time at the TVA, the organization  
8 achieved the best safety records in its 85-year history and has been a perennial top decile safety performer  
9 in the utility industry. In that same period, Mr. Johnson led the retirement of more than half of TVA's  
10 coal generation, resulting in a reduction of TVA's carbon emissions by about 50% over the last decade.  
11 He was responsible for leading the generation of more than 50% of TVA's energy from non-greenhouse  
12 gas emitting sources. He also oversaw TVA's expansion into utility scale solar in recent years, with the  
13 addition of approximately 1,000 megawatts (mWs), and pursued the modernization of its hydro assets  
14 to increase the overall amount of renewable resources. TVA's renewable portfolio includes almost 2,400  
15 mWs of wind and solar and 5,800 mWs of hydro capacity.

16       The TCC's reliance on *In re Dow Corning*, 208 B.R. 661 (Bankr. E.D. Mich. 1997), to argue that  
17 the magnitude of the wildfire claims to be addressed in a chapter 11 plan is somehow irrelevant to the  
18 plan process and to an extension of the exclusive periods is perplexing. *Dow*, in fact, fully supports the  
19 relief the Debtors are seeking. In *Dow*, the Court already had extended the exclusive periods for more  
20 than two years expressly to address the estimation of mass tort claims. Nevertheless, and despite finding  
21 that the debtor had engaged in stalling, the Court denied a motion by the tort claimants to terminate  
22 exclusivity, noting the "chaos factor" that would result from competing plans. *In re Dow Corning*, 208  
23 B.R. at 670.

24       Additionally, the TCC's assertion that "many of the wildfire claims were either resolved, close  
25 to resolution, or certain procedures had been negotiated to facilitate their resolution as the Petition Date"  
26 is inaccurate. TCC Objection ¶48. The undisputed facts are that none of the 2017 or 2018 wildfire  
27 claims were close to resolution. In fact, as the tort plaintiff lawyers readily acknowledge, because of  
28 how recently the Camp Fire occurred, as of the Petition Date, they did not know the number or magnitude

1 of potential claims that might be asserted. Indeed, that is one reason the Debtors filed their Bar Date  
2 Motion – another prerequisite to the plan process – seeking to obtain relevant information as to the  
3 magnitude and nature of all of the potential claims, an effort the TCC is also resisting.

4 As noted, above, all interested parties other than the TCC recognize the critical importance of  
5 legislative and regulatory reform to the chapter 11 plan formulation and negotiation process and the  
6 Debtors’ successful emergence from chapter 11. The Governor’s Objection could not be more clear in  
7 this regard, and the report of the Governor’s Strike Force plainly focuses on that need, not only for  
8 PG&E, but for California’s other public and private utilities as well. *Wildfires And Climate Change:  
9 California’s Energy Future, A Report from Governor Newsom’s Strike Force*, April 12, 2019, at 2-3. In  
10 fact, without this reform in place, it is unrealistic to expect that any rational investors would provide  
11 capital on any reasonable economic terms to fund a chapter 11 plan or that the Debtors would be able to  
12 attract the ongoing investments necessary to assure their long-term viability.

13 As stated in the Governor’s Objection, the “State is working expeditiously to fulfill its role by  
14 working to enact revisions to the legal and regulatory framework applicable to electric utilities dealing  
15 with catastrophic wildfires by this summer”. . . . “Additionally, the California Public Utilities  
16 Commission (the “CPUC”) continues to address the numerous important issues related to PG&E that are  
17 pending before it.” Governor’s Limited Objection ¶ 3.

18 Under these circumstances, no one can seriously dispute that there is a fundamental unresolved  
19 contingency that warrants a reasonable extension of the Exclusive Periods as requested in the Exclusivity  
20 Motion.

21 And because, as the Governor himself recognizes, the goal is to have this critical legislative and  
22 regulatory reform addressed by, at the earliest, “this summer” (and possibly toward the end of the  
23 legislative session in September), neither the Governor’s suggested 75-day extension nor the UCC’s  
24 suggested four month extension of the Exclusive Periods afford sufficient time for Debtors to formulate  
25 and negotiate a plan that incorporates the outcome of that process. Indeed, these shorter extensions will  
26 only result in additional unnecessary motion practice before this Court.

27 The Debtors have stated from the outset of these cases that their objectives have been, and  
28 continue to be, to establish a process to comprehensively address and resolved their wildfire liabilities

1 in a fair and expeditious manner, and implement a financial and operational restructuring that will result  
2 in a competitive and sustainable cost and capital structure that will ensure their long-term viability. As  
3 stated, and as recognized by the Governor, this will require significant and substantive legislative and  
4 regulatory reform.

5 As the TCC appropriately recognizes, the purpose of section 1121 of the Bankruptcy Code is to  
6 afford the debtor a full and fair opportunity to file and obtain acceptances of a chapter 11 plan without  
7 the threat of competing plans.

8 The issue before the Court is not whether cause exists for an extension of the Exclusive Periods,  
9 because it clearly does. Rather, the issue is – how long the initial extension should be. Based on the  
10 undisputed size and complexity of these cases and the fundamental gating issues that must be addressed  
11 before a comprehensive, feasible, and confirmable chapter 11 plan can be formulated, negotiated, and  
12 proposed, the Debtors believe that the six-month extension requested is reasonable and appropriate.

13 **Conclusion**

14 The Debtors request that the Objections be overruled and the relief requested in the Exclusivity  
15 Motion be granted.

16  
17 Dated: May 20, 2019

18 **WEIL, GOTSHAL & MANGES LLP**

19 **KELLER & BENVENUTTI LLP**

20  
21 By: /s/ Stephen Karotkin  
Stephen Karotkin

22 *Attorneys for Debtors and Debtors in Possession*  
23  
24  
25  
26  
27  
28